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Abstract

One of the lessons we learned from the 2008 financial crisis was the importance of monitoring the systemic risk in the stability of financial systems. In this regard, lines of research have been developed with the aim to provide reliable and timely metrics on this risk, taking as much information as possible. Among these, SRISK (Brownlees & Engle, 2016) stands out, a measure that combines market behavior, capital ratio, leverage and balance sheet of financial institutions to find the systemic risk exposure under a sustained crisis scenario. This paper replicates the SRISK methodology adjusted for the Colombian banking system using GJR-GARCH-DCC models. The results show that, although systemic risk of banks has been historically low, it reached its maximum in 2020, adding empirical evidence on the impact of Covid-19 crisis. Furthermore, it is found that SRISK correlates with leading indicators of economic and financial sectors, in addition to having predictive power in the sense of Granger causality.